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RUEHKO/AMEMBASSY TOKYO 4031
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C O N F I D E N T I A L SECTION 01 OF 06 NEW DELHI 007759

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PM FOR HILLEN AND SUCHAN

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SUBJECT: BOUCHER DISCUSSES NUCLEAR TALKS, BILATERAL
RELATIONS, CHINA, AND SRI LANKA WITH JAISHANKAR

NEW DELHI 00007759 001.4 OF 006

Classified By: DCM Geoff Pyatt for Reasons 1.4 (B, D)

11. (C) SUMMARY: Reflecting the rapid maturation and quickly broadening scope of US-India strategic coordination, visiting Assistant Secretary for South and Central Asian Affairs Richard Boucher and Ministry of External Affairs Joint Secretary (Americas) Dr. Subramanyam Jaishankar discussed the outcome of bilateral nuclear talks, China's role in global affairs, ideas for advancing the bilateral relationship, one possible problem in the pol-mil relationship that could prevent procurements from U.S. defense firms, funding for the Agriculture Knowledge Initiative, a North Korean ship seized in an Indian port, Sri Lanka, and Bangladesh in a two-hour lunch meeting on November 10 in New Delhi. END SUMMARY.

THE BILATERAL AGENDA: EXCELSIOR!

12. (C) Citing the visitor schedule, Boucher said upcoming meetings in Delhi for General Kohler, Under Secretary Edelman, Secretary Johanns, Hank Crumpton, Virginia Palmer, and many others revealed a robust relationship with a broad

agenda. The two governments now needed to think beyond the nuclear initiative to see what next could be accomplished, pressed Boucher. Jaishankar said there was a document floating around the Indian bureaucracy that envisioned the possibility of "Next Steps in the Strategic Partnership - II" to keep the agenda moving. The U.S.-India Chief Executive Officer Forum's validated end-user scheme (aka "The White List") had been well-received, pleasing Tata Chief Executive Ratan Tata, who was pushing for it. Over the longer term, India would have to revisit its position on the Australia Group, which had the potential to become a "significant obstacle." Boucher affirmed that the U.S. would continue to work to align its export control policy with new overall policy initiatives, particularly toward India. General Kohler could be helpful in this regard. Jaishankar agreed that policies needed to get re-calibrated with reality. The visiting Lockheed Martin Chief Executive and former Defense Secretary Bill Cohen were not, he added, "haunted by history." Companies like Lockheed Martin and General Electric were not just here for sales, but because the viability of their future global competitiveness demanded it. Boucher cautioned that we needed to escalate from merely talking about our relations to focusing more on actually doing things together.

AGRICULTURE KNOWLEDGE INITIATIVE FUNDING

13. (C) Boucher asked if India had resolved its stance on funding for the Agriculture Knowledge Initiative. Jaishankar answered that India had a cumbersome budgetary process and that, while matters had taken longer than they should have, India was now fairly confident that sufficient funding had been secured. In addition, that funding provided India sufficient flexibility within the internal budgetary process to respond quickly to any changes both

NEW DELHI 00007759 002.2 OF 006

sides might seek. During the upcoming board meeting with Secretary Johanns, India intended to assert that it

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understood clearly that it needed to offer more funding than the U.S. for the success of the initiative, and that India needed to be serious about committing its resources. The current figure, mentioned Jaishankar was USD 80 million over eight years. At the board meeting, India would spell out its funding plan, which, while a "different animal" was definitely going to be fulfilled.

SCOPE FOR EXPANSION OF MILITARY TIES

14. (C) Jaishankar also wished for greater connectivity between the Pentagon and the Ministry of Defense on strategic cooperation. His Ministry had told the Defense Ministry it was content to allow it to speak freely to the Pentagon, but the Defense Ministry was fearful that the Ministry of External Affairs was trying to spring a trap. Old habits die hard, but Jaishankar said India would seek to use the upcoming Defense Policy Group as an action-forcing event to make progress on many issues, including the State Department-Ministry of Defense Joint Working Group proposed by Assistant Secretary Hillen. India was keen to put both sides' acquisitions and licensing gurus together on the sidelines of the meeting. The consultations also needed to address whether or not India and the U.S. would invite other countries to military exercises. For Malabar this year, Jaishankar had exerted his authority over Canadian affairs in the Indian bureaucracy to secure Canadian involvement. Outside his area of responsibility, inviting others would get more tricky. Boucher said Singapore would be an excellent candidate for broadened exercises. Boucher added that our talks should encompass the world, not the region, and the U.S. and India should develop a broad joint strategy for

the Indian Ocean basin, to include the Gulf. Jaishankar noted with satisfaction that Indian attitudes had come a long way in a short period of time. While the Air Force as recently as three years ago saw air exercises with the U.S. as a "waste of time and an indulgence of the Ministry of External Affairs," today the current Air Force Chief would never think such a thing.

WITH ONE POSSIBLE HICCUP

15. (C) Jaishankar alerted Boucher to an issue that India planned to raise in the Defense Policy Group. India had decided to get away from sole source defense procurements, explained Jaishankar, but in the process of doing so it had learned more about how the rest of the world goes about selling equipment. The Arms Export Control Act of the U.S. has a provision that allows the U.S. to inspect and verify equipment after the sale. This concern had come up during the LPD Trenton acquisition, but the Indians had overlooked it because delays on their side had already stretched American patience. For the upcoming Request for Proposals for fighter aircraft, however, and other large deals, the

NEW DELHI 00007759 003.2 OF 006

Indian side would not/not acquiesce to such a condition. The Indian Air Force would not permit any visits to forward operating bases, even if India recognized that the U.S. has an expanded version of such commitments with Pakistan. The same insistence had caused serious friction with the Soviets, and even now the Israelis are not permitted to view or service their equipment at forward bases. The reason for this depth of feeling was because the Indians tightened restrictions after the 1962 and 1965 wars, and a decision made under duress then remained deeply held in the system. Jaishankar said it was vital that this problem be headed off before India issues the Request for Proposals. As it was, Jaishankar would watch the request drafting process like a hawk to make sure nobody would specifically insert language to skew the results. Boucher urged Jaishankar to raise the matter at the Defense Policy Group, and assured him he would also raise it with Assistant Secretary Hillen upon return to Washington.

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123 TALKS: WANDERING IN THE WILDERNESS?

16. (C) Sharing with Jaishankar the nuclear negotiating team's frustrations, A/S Boucher asked for the underlying philosophy that had guided the Indian side's strategy, because the end result had been disappointment for the U.S. and a sense that little had been accomplished. Jaishankar archly responded that he viewed the talks as a "reasonable success" because both sides had come away with similar levels of disappointment. Boucher pushed back, asking how the Indian team had not been prepared to negotiate text even though that had been the American expectation.

17. (C) Jaishankar sniffed that many elements of the Indian team had felt frustration for months about a lack of transparency emanating from the U.S. over the efforts in Congress to manage the legislation and within the bureaucracy to refine U.S. thinking on various Indian proposals. The second element that gave the Indian side pause was the fact that the legislation remained tied up in the Senate, and its passage would directly affect the 123 agreement. Many Indian negotiators were reluctant to make commitments or compromises on 123 when the Senate's decisions could shift or alter anything the two sides might agree. The talks had been helpful with regard to the management of the Indian atomic scientists because they now had yet again and in full detail vented their frustration about aspects of the legislation that worried them. In having done so in such exquisite detail, they now felt that

the U.S. side genuinely appreciates their nervousness.

18. (C) When Boucher explained that we had purposely avoiding sequencing talks so that we could push ahead on all fronts, Jaishankar admitted we had collectively underestimated the complexities and there were still large problems that needed discussion between the two countries. The question of supply assurances remained binding in the House text, Section 106 restricting trade in enrichment and reprocessing technology remained unresolved, programmatic

NEW DELHI 00007759 004.2 OF 006

consent for reprocessing spent fuel was a problem, and, collectively, these matters could be negotiated for a whole year if both sides let it. To avoid that fate and the ire of our respective political masters in Delhi and Washington, India would work on a counter draft. The details touched on many conceptual, emotional, psychological sensitivities for the Indians, especially due to the raw nerves that still lingered because of fuel supplies to Tarapur back in the 1970s. "You don't know what it's like to be pressured by you," smiled Jaishankar. The Myth of Tarapur had taken on a life of its own, such that even the atomic scientists had a distorted view of what had actually happened, and sought a watertight agreement as a result. Whenever Jaishankar implored them not to seek iron-clad solutions, they clung to their orthodoxy. Boucher commented that he understood the underlying sentiments, but the scientists also needed to understand that things like tests would also immediately kill the political will in the U.S. for the initiative.

CHINA: RISING DRAGON, HIDDEN AGENDA?

19. (C) Jaishankar shifted the conversation to China, asking, with the exception of working with America on North Korea, are they generally helpful in world affairs? Boucher said China was trying to be more helpful in the UN -- such as by sending police to Haiti -- but its reluctance to coordinate on Sudan or Iran due to energy interests remained a frustration. While modestly helpful in Afghanistan and by building roads in Tajikistan, the Chinese were only at times helpful. However, opined Boucher, China still had some distance to go before it would be a responsible stakeholder in world affairs. Boucher emphasized that it was critical to keep in mind that one could not say about China what all are saying about India, namely, that the scope for potential cooperation is wide open. For example, India and the U.S. could cooperate on propagating electoral best practices and systems worldwide, but the U.S. could not do so with China.

110. (C) Jaishankar asked if the U.S. took seriously China's intentions in the Indian Ocean by cultivating Pakistan and Burma to establish a toe-hold on Indian shores. Jaishankar admitted it was conceivable to think these actions were not part of any grand strategy, but the net effect was the same. Boucher said it seemed that much of China's actions seemed driven by commercial motives, such as the port at Gwadar, which was a white elephant because of the situation in Baluchistan and the inability to move goods into the interior from there. Boucher continued by comparing China's efforts to secure cheap raw resources in Africa as a Marxist take on neo-colonialism.

111. (C) What remained worrisome, insisted Jaishankar, was the Chinese emphasis on infrastructure in Pakistan and Burma. The Pakistan-China all-weather road may not be a serious trade route, but it unlocked the ability of China to ship many other worrisome things to Pakistan. The

NEW DELHI 00007759 005.2 OF 006

influx of Chinese into Burma was also worrisome, to which

Boucher echoed Kyrgyz concerns about similar influxes there. Boucher also agreed that the Chinese railroads and pipelines into Kazakhstan were not serious vectors for trade. Jaishankar agreed on the trade point, arguing that, therefore, the alternative hypothesis gains currency. Did we understand the full collateral implications of their activities, he asked? Boucher countered by explaining China's obsession with stability, but argued that spending large sums on governments such as Uzbekistan's and Turkmenistan's was not necessarily wise. China, he opined, was relentlessly investing in bad deals. Due to the stability obsession, China had even argued for preserving the King in Nepal in the face of "anti-government" (never Maoist) forces, he noted, to which Jaishankar acidly remarked how times had changed.

¶12. (C) Jaishankar commented that the Chinese proposal for three way talks with the U.S. and India was "not serious," but China and India both shared a desire for stability. Boucher argued that Beijing remained averse to change at home and abroad because it posed a risk to the Party. Jaishankar concluded by remarking that the quality of discourse between India and China was in no way comparable to discussions with the U.S., with the two great Asiatic powers engaging in indirect and obscure formulations to mask an open dialogue. Boucher accepted that unless China seriously challenged American power and influence, or threatened Taiwan, the U.S. was comfortable with the status quo, but conceded that India probably still harbored more suspicions.

SRI LANKA: WHAT WILL INDIA DO TO EASE A MURKY SITUATION?

¶13. (C) On Sri Lanka, Jaishankar and Boucher agreed that the U.S. and India had no choice but to keep plugging away, and to remain hopeful while engaging with the Government of Sri Lanka in a "smart and hopeful" manner. Jaishankar noted that the "metrics are always better on paper than in reality" in Sri Lanka. With a robust army, large police, paramilitaries -- often comprised of ex-Tiger and other entities -- there were entities the government controlled and others over which it exercises no control. Boucher interjected that President Rajapakse always insists the military is firmly under control, to which Jaishankar responded, "What else can he say?" Former Prime Minister Ranil Wickremasingha had disbanded the Deep Penetration Strike Force as a sign of good will to the Tamils to permit political progress, but the new government's attitude seemed, asserted Jaishankar, "We don't want to know, and we don't need to know." Continuing, Jaishankar said politics there are so murky that the new U.S. and Indian Ambassadors in Colombo should speak frequently, just as our Embassies have done for years in Kathmandu.

¶14. (C) Boucher said the U.S. looks to India to make clear how much it wants to be engaged, and how much the U.S. should also press. The Sri Lankan government listened to

NEW DELHI 00007759 006.2 OF 006

both Delhi and Washington, and the U.S. would certainly welcome further Indian involvement, along the lines of former Indian Chief Justice PN Baghwati's membership of a commission to examine human rights abuses. Boucher mentioned that in his meeting earlier in the day with Ministry of External Affairs Joint Secretary (Bangladesh, Burma, Sri Lanka, Maldives) Mohan Kumar, Kumar had gone straight to the crux of the matter involving the commission: would the members of the oversight panel be governmental or non-governmental personalities? Boucher continued that while India should make that decision, it remained to be seen to what extent India even wanted to be involved.

¶15. (C) Jaishankar said the Indian formula involved greater federalism. However, it was difficult to get the

government in Colombo to devolve power even to other Sinhalese. The government always parses its commitments on decentralization to such an extent that practical application is watered down. Complicating matters is that President Rajapakse hails from the deep south, where Sinhala chauvinism remains strong. As long as the extremist monks remain a necessary vote-getting machine for Rajapakse, the "incentives will remain mis-aligned." In any case, affirmed Jaishankar, "we will plug away to the extent that we feel comfortable."

BANGLADESH: BRACING FOR ELECTIONS

¶16. (C) Boucher mentioned that India and the U.S. shared the same concerns about Bangladesh in the lead-up to elections, including about the need to ensure that the electoral commission is constituted carefully to minimize the risk of violence. The U.S. wanted to stay in close coordination with India on Bangladesh as a result.

NORTH KOREAN SHIP

¶17. (C) Boucher mentioned press reports of the detention in Mumbai port by Indian authorities of a North Korean ship headed for Iran. Jaishankar said he would immediately contact the Indian Navy to find out what they knew.

¶18. (U) Assistant Secretary Boucher cleared this message.

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